Instruction and Operation (I & O) Formula Study Committee
University Formula Advisory Committee
Texas Higher Education Coordinating Board
September 9, 2003

MINUTES

Members present: Phillip C. Diebel (convening chair), Jesse Rogers, Sandra Harper, Ken Craycraft , Mike Kerker, Bill Perry, John Opperman, and Guy Bailey.

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Members absent: Larry King, Dana Dunn, Willie Tempton, and Karen S. Haynes, Sheldon Ekland-Olson, and James Simmons.

Marsha Kelman attended for Sheldon Ekland-Olson, and Mike Ferguson attended for James Simmons. Claudia Stuart and Tom Kale also attended and participated in the discussion. Jim Brunjes and Bill Nance will be provided with the documentation provided to the Study Committee.

Phil Diebel convened the meeting in the Board Room of the Texas Higher Education Coordinating Board at 2:00 p.m. on September 9, 2003.

Members of the Study Committee and the audience introduced themselves.

Phil Diebel was elected as the permanent chair, and discussed the charge to the Study Committee. All agreed that the focus of this group will be to evaluate and make a recommendation to the University Formula Advisory Committee regarding the cost analysis performed by the *Ad Hoc* Matrix Committee. The purpose of this analysis is to determine if the proposed all cost methodology is a reasonable and accurate approach to determining the relative weights of the Instruction & Operation (I & O) matrix.

Jeff Phelps presented five models that had been developed. Four of the models are different representations of Department Operating Expenses (DOE). This is the element of the methodology about which the *Ad Hoc* Matrix Committee had the most debate. The Study Committee discussed at some length the appropriateness of using semester credit hours or faculty salaries as the variable to allocate DOE.

Mr. Diebel's primary instruction to the Study Committee was to return to their institutions and discuss how DOE is to be allocated. Mr. Phelps told the Study Committee that he would be sending them subsequent analysis by discipline that he and Mr. Diebel were developing. Dr. Harper requested an analysis showing the results of using a 50 percent SCH and 50 percent faculty salary allocation of DOE. Finally, the Study Committee wanted to see a breakout of research related DOE and the "Other" DOE that was subject to the various methods of allocation.

The Study Committee will meet again on October 7, 2003. The meeting was adjourned at approximately 4:00 p.m.

Instruction and Operation (I & O) Formula Study Committee
University Formula Advisory Committee
Texas Higher Education Coordinating Board
October 7, 2003

Minutes

Members present: Phillip C. Diebel (chair), Jesse Rogers, Sandra Harper, Ken Craycraft, Bill Perry, Dana Dunn, Tom Kale, and John Opperman.

Members absent: Guy Bailey, Sheldon Eckland-Olson, James Simmons, and Karen S. Haynes.

Marsha Kelman attended for Sheldon Ekland-Olson and Mike Ferguson attended for James Simmons.

Phil Diebel convened the meeting in the Board Room of the Texas Higher Education Coordinating Board at 9:00 a.m. on October 7, 2003.

Phil Diebel had asked all the committee members at the previous meeting to discuss with members of their own institution whether the methodology under discussion was a reasonable approach to determine the relative weights of the matrix. The discussion by the Study Committee focused almost exclusively on how Departmental Operating Expense (DOE) was to be allocated. Each member of the Study Committee indicated their preference for an allocation methodology using either semester credit hours, faculty salaries, or some blend of the two. While there was consensus that a blended approach seemed most appropriate because it captured the different institutional missions, there was no agreement on what that blend should be. For the larger schools, allocating DOE using faculty salaries seemed most appropriate because it captured their research-oriented mission. The smaller schools tended to favor use of semester credit hours because it was more reflective of their undergraduate teaching mission.

Mr. Diebel then held discussions and votes regarding the appropriateness of the allocation methodologies for the remaining four cost centers (Faculty Salaries, Academic Support, Institutional Support, and Student Services). There was unanimous agreement that these allocation methodologies were all reasonable. Following a brief recess, Mr. Diebel proposed that a subcommittee be formed to make a specific recommendation to the I & O Committee as to how DOE should be allocated. Appointed to the subcommittee, which will be chaired by Mr. Diebel, were Sandra Harper, Bill Perry, Bill Nance, Mike Ferguson, Marsha Kelman, Jim Brunjes. Any other Study Committee members may also participate. The subcommittee will hold one meeting prior to the next Study Committee meeting. Notification of time and place for the subcommittee meeting will be sent to all Study Committee members.

The Study Committee will meet again on November 4, 2003 at 11:00 a.m. The meeting was adjourned at approximately 11:00 p.m.

Instruction and Operation (I & O) Formula Study Committee
University Formula Advisory Committee
Texas Higher Education Coordinating Board
November 4, 2003

Minutes

Members present: Phillip C. Diebel (chair), Jesse Rogers, Sandra Harper, Ken Craycraft, Bill Perry, Tom Kale, and Guy Bailey.

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Members absent: Dana Dunn, Karen S. Haynes, John Rudley, James Simmons, Sheldon Ekland-Olson, and John Opperman

Marsha Kelman attended for Sheldon Ekland-Olson, Mike Ferguson attended for James Simmons, Jim Brunges attended for John Opperman, Ed Hugetz attended for John Rudley, and Wayne Beran attended for Karen Haynes.

Phil Diebel convened the meeting in the Board Room of the Texas Higher Education Coordinating Board at 11:06 a.m. on November 4, 2003.

The minutes from the October 7, 2003 meeting were approved.

Dr. Ann Stuart (Texas Women's University) and Ed Hugetz (University of Houston System) made presentations about the results and how their institutions were going to be affected. While both indicated that the cost study was a beneficial exercise, implementing the results would have a serious impact on their institutions. Dr. Stuart pointed out that TWU has a unique mission in that 50 percent of their semester credit hours for graduate work, and 67 percent related to Health Services, Nursing, and Education, all of which are subject to substantial reductions under the calculated matrix. Mr. Hugetz stated that the cost study only captured one year's data, which meant that trends could not be examined within the current analytical framework. He also argued that trends in other states should be considered as well as this would provide an additional benchmark against which these results could be compared.

Mr. Diebel discussed the results of using a multiplier matrix as a mechanism to provide a transition for those discipline levels that were experiencing significant reductions. The example presented restored three matrix values (master's level Health Services, upper-division Nursing, and Pharmacy special professional) to their current values, which mitigated much of the formula funding reduction experienced by TWU and University of Houston. This is an alternative to a hold harmless provision, which could only be accomplished with additional funding. The effect of the multiplier matrix is to redistribute the current level of funding, which means that the gains experienced by those schools with master's level Health Services, upper-division Nursing, and Pharmacy special professional would be offset by losses among the other schools.

Mr. Diebel also discussed how Departmental Operating Expense (DOE) was to be allocated. A DOE workgroup had met on October 29 and agreed that each school should specify their preference for an allocation methodology using either semester credit hours, faculty salaries, or

some blend of the two. Jeff Phelps had surveyed the schools and had received answers from 20 of the 34 universities. These allocation methods have been incorporated into the base case scenario.

Discussions regarding the appropriateness of using the cost analysis to determine the relative weights continued. There was general agreement that the methodology is a reasonable one, and that the dramatic reductions that some of the universities faced was likely to have to be accommodated in some fashion. Following a brief recess for lunch, Mr. Diebel proposed that a subcommittee be formed to make recommendations to the I&O Study Committee on mechanisms for transitions that would mitigate the funding reductions. Mr. Diebel, Bill Perry, and Jeff Phelps will meet to develop some alternative transition methods. The meeting will be scheduled shortly, and any other members may also participate. The committee will hold one meeting prior to the next FAC meeting on December 15th. Notification of time and place will be sent to all members.

The I&O Study Committee will meet again on December 15, 2003 at 9:00 a.m. The meeting was adjourned at approximately 2:00 p.m.

Instruction and Operation (I & O) Formula Study Committee
University Formula Advisory Committee
Texas Higher Education Coordinating Board
December 15, 2003

Minutes

Members present: Phillip C. Diebel (chair), Jesse Rogers, Dana Dunn, Sandra Harper, Ken Craycraft, Bill Perry, Tom Kale, James Simmons, John Rudley, John Opperman, and Guy Bailey.

Marsha Kelman attended for Sheldon Ekland-Olson.

Also present: Ann Stuart

Phil Diebel convened the meeting in the Board Room of the Texas Higher Education Coordinating Board at 9:00 a.m.

The minutes from the previous meeting were approved.

Mr. Diebel presented the topics for committee consideration at today's meeting. This included consideration of (1) the cost-based methodology for determining the relative weights of the Instruction & Operations Matrix, (2) implementation alternatives, (3) timing of the implementation, (4) which year's cost data should be used, and (5) whether the methodology should consider grouping institutions, which would require the development of more than one matrix.

Lengthy discussion followed regarding the appropriateness of applying the cost-based methodology for determining the values of the relative weights. Several letters are attached that detail the arguments for and against implementing the proposed methodology. The committee then voted 9 to 1 to recommend the methodology to the UFAC.

The implementation scenarios were then discussed. The base case and two alternative scenarios were presented. The committee expressed concern that immediate implementation of the base case would be particularly harmful to two institutions, Texas Southern and Texas Woman's Universities, which would be subject to the largest percentage reductions.

Scenario #2 proposed a budget-neutral phase-in in which half of the rate of change between the relative weights contained in the current matrix and the relative weights of the calculated matrix would be applied. The three exceptions to this would be the undergraduate, upper-division nursing, master's-level health services, and special professional pharmacy. These three relative weights have been adjusted so no single institution would lose more than 3 percent.

Scenario #3 showed the additional funding that would be required if the rate were to be adjusted so that no school lost more than 3 percent. This would require an additional ~$250 million per year, which is slightly less than the amount of annual special item funding. The committee approved Scenario #2.

The committee then discussed for which biennium to implement the proposed methodology, and voted nine to one to implement the methodology for the FY 2006-2007 biennium. As the attached correspondence indicates, there were two participants who preferred additional studies and analyses such that implementation would either not occur at all or possibly occur at a later time.

Finally, the committee discussed which year's data should be used. Several participants felt that more than one year of cost data should be used to perform the analysis and that three years of data would be a reasonable standard. It was also discussed that on a statewide basis, educational service delivery changes slowly and the need for a third year's cost data was not critical to validating the I&O formula matrix. In addition, because of the conflict with the timing of the next legislative session and when FY 2004 data would become available, it was decided that FY 2002 and FY 2003 institutional data would be averaged and serve as the basis for the recommendations for the FY 2006-2007 biennium. Subsequent formula advisory committees would determine the number of years of data to be used along with possible weighting schemes.

The committee then discussed and recommended that the following recommendations be forwarded to the UFAC for consideration:

1. No change is recommended to the 10 percent teaching supplement.
2. A CPI inflation adjustment was recommended for the I&O rate ($51.25)
3. Growth between the base periods should be fully funded, and a supplemental payment for dramatic growth, above 3%/6%, was recommended. This is intended to address the participation goal of *Closing the Gaps.*
4. A supplemental payment for the success goal of *Closing the Gaps* was discussed, but no specific recommendation was provided.
5. Distance education was discussed, and the committee felt that by using a cost study to establish I&O matrix values, the efficiencies (if any) of providing instruction electronically are appropriately captured.

The Instruction and Operation Study Committee is not currently scheduled to meet again. The meeting was adjourned at approximately 11:30 a.m.

Attachments (Separate Cover Pages 5 thru 9 and Pages 12 thru 25 of I & O Committee Handouts)

A copy of these minutes is available on our website.

December 9, 2003

Dr. John M. Rudley
Vice Chancellor/Vice President for Administration & Finance
University of Houston/System
226 E Cullen building
Houston, Texas 77204-2016

Mr. Kevin P. Hegarty
Vice President and Chief Financial Officer
The University of Texas at Austin
P.O. Box 8179
Austin, Texas 78713-8179

Dear John and Kevin:

Thank you for your letters in which each of you expressed your concerns regarding the Instruction and Operations (I&O) formula cost study. Hopefully the following response will address some of the issues you have raised. For the sake of brevity I will take some license with stating the issues but will hopefully not be too far off the mark.

Issue – Why was the all-funds approach used in the cost study to establish the formula matrix values when the formula only distributes state appropriated dollars?

Response – It is important to understand that the cost study is used to develop matrix "values" or "weights" only, not the total level of funding needed. In order to properly establish those values all costs incurred by an institution should be considered. For example, it would be highly inappropriate to exclude board-designated tuition from the cost study when some institutions use board designated tuition to fund most of its DOE costs. To exclude such dollars would most assuredly render the cost study invalid.

- **Issue – Actual costs should not be used to create a matrix because such a process does not reflect true funding needs.**

  Response – Actual costs should be used because cost data is objective in nature, can be quantified to a reasonable degree, and is reflective of how we are providing educational services at our institutions. "Funding need" is too often subjective and more often than not cannot be reasonably quantified.

The legislature has also expressed considerable interest in seeing a formula that is reflective of costs incurred to operate different programs. It is likely that additional policy concerns will dictate final distribution of funds; however, using actual costs data gives us information that most will agree is a reasonable reflection of how funding is spent.

- **Issue - Should statewide averages be used to establish I&O formula matrix values for an academic program when the approach used by institutions throughout the state to teach that program may vary significantly.**

  Response – Yes, calculated statewide averages should be used. If such statewide averages are not used, then we are probably faced with continuing the far less objective approach to the way each institution is currently funded. It should be pointed out that even the current matrix weights "imply" statewide averages since the same weights apply to every university. Regardless, the strength of the current formula system is that it endeavors to create a level playing field for all institutions in how we receive a significant portion of our funding. The system does not tell us how to spend the dollars once we get them, so each institution is free to allocate the funds as each sees fit and in a manner that best reflects their individual mission. It can be strongly argued that this is not a "mistake of the past" but rather a strength of the past.

- **Issue - Using a cost study to determine I&O formula matrix values would punish programs that are currently considered to be efficient. The example used by John is that the cost study showed that the matrix values for the MBA program were reduced and therefore the MBA program is being punished for being efficient.**

  Response – The cost study simply showed that the current matrix weight for teaching a semester credit hour in a business masters program has been overstated and should be lowered. Some academic programs saw an increase in their relative matrix weights and some saw decreases.

  The fact that a matrix weight went down for an academic discipline does not mean that the discipline was being efficiently taught, any more than saying that when a matrix weight went up the academic discipline is being inefficiently taught. Once these matrix weights are based on actual costs, the efficient programs will be rewarded because their costs will be less than the statewide average.

- **Issue – The proposed methodology has a negative bias toward urban institutions because the results of the cost study show reductions in the professional disciplines (i.e. master's business, teacher education, engineering, pharmacy, nursing).**

Response – I can't think of a legitimate reason why this would be so. If a good reason can be identified and substantiated with objective data then the I&O committee could address the matter.

- **Issue – Departmental Operating Expense (DOE) cannot be effectively linked to academic disciplines and level of instruction.**

  Response – I guess one answer (or question) could be – "Then why is DOE a part of the current I&O matrix?" Regardless, while not easy, it appears that the method used was able to effectively link DOE expenses to the appropriate academic discipline and level of instruction. Each institution charged DOE expenses to their I&O academic disciplines based on the institution's internal budget designations. For example, the DOE expenditures for the English department were charged to "Liberal Arts." If more than one I&O academic discipline were taught by the English department then we asked the institution to prorate the English department's DOE to the other discipline(s) based on the semester credit hours taught by the department.
  Once an institution has allocated its costs to the academic discipline the institution then allocated DOE costs further to the level of instruction (undergraduate, masters, etc.) using either semester credit hours, faculty salaries, or a combination of the two, whichever the institution believes was most representative of the proper distribution of costs to the level of instruction.

  To address the issue of major DOE equipment expenditures for research projects, each institution direct charged such costs to the I&O academic discipline.

  The above process appears to be a reasonable means to link DOE costs to the appropriate academic discipline and level of instruction.

- **Issue – There are many variances and inconsistencies in financial reporting practices which, if not corrected, will dramatically influence the cost study results. Specifically, research costs reported through an affiliated foundation or related system agency.**

  Response – So far, the committee has found few variances and inconsistencies in financial reporting. Regardless, the primary issues you may be referring to are research costs reported by the A&M Research Foundation and also the research conducted by the A&M System agencies such as the Texas Engineering Experiment Station or the Texas Agricultural Experiment Station. The committee has discussed whether or not such costs should be included in the cost study and has not made a final determination. The following thoughts may be helpful:

  > Research conducted by another state agency such as the Agricultural Experiment Station should probably not be included in a cost study that could potentially determine the I&O formula matrix. These agencies exist separately from Texas A&M University, conduct their own research, are

funded through a different mechanism by the state, and receive their own separate research grants. If A&M faculty participates in an agency's research, a portion of their salary is paid by the agency.

Research conducted by the A&M Research Foundation is another matter but its impact should not be overstated. Again, when A&M faculty participates in Foundation funded research, their salary costs remain on the university's accounts and are contracted for, and thus reported as a university expense. Therefore, they are included in the cost study results. The I&O study committee has the option of deciding whether or not to recommend the inclusion of A&M Foundation research costs in determining matrix values.

While not an "accounting variance" issue, the committee also considered whether or not to use depreciation values for capitalized equipment other than actual expenses. A theoretical argument can be made to use depreciation; however, on a statewide basis doing so may have little impact on the matrix value results. The vast majority of equipment (in items and dollars) that is purchased by our universities falls under the $5,000 threshold for capitalizing.

Except for the above, we have not heard of a lot of other accounting issues that could be considered material. There has been the matter raised by one institution regarding which I&O academic discipline some programs should be reported under; however, such a matter does not affect accounting consistency among institutions. Rather it is a philosophical difference between the institution and the Coordinating Board staff regarding under which academic discipline a program should be reported.

- **Issue – The cost study results are interesting but the proposed methodology is not conclusive or defensible such that it should be relied on for formula funding. Specifically, there are severe limitations to the data that was used for the cost study. Therefore, the results of the cost study should not be considered a better basis for allocating cost than using the current matrix.**

  Response – So far (as mentioned above), the committee has not identified any "severe limitations to the data that was used." With thirty-four institutions involved there were some reporting errors, most of which were identified and corrected. Any errors that may still exist would in all likely-hood be corrected for the next cost study, should the process be approved.

  While only a single year (FY '02) was used in the preliminary analysis, we would plan to use updated FY '03 data, either in conjunction with the FY '02 data or as a replacement. In addition, the process we have gone through over the past year has provided us with enough experience so that we are comfortable with the institutional data that comprises that analysis.

Overall, the cost distribution methodology used for faculty salaries is pretty darn solid, and using the results of the faculty salaries distribution to allocate Academic Support costs seems to make a lot of sense. Using student headcount and semester credit hours taught to distribute Student Services and Institutional Support costs is also reasonable. DOE has been the most significant challenge and I believe the committee has effectively addressed this issue as described above.

If the cost study is not used to build the matrix table then we are stuck with the current table that was built primarily on intuition and politics. Furthermore, the results of the cost study show that many institutions have been shortchanged in their funding for many years and that finally we have a basis to correct that problem.

John and Kevin, I hope that I have addressed the preponderance of issues each of you have raised. While we may not agree on all the issues I hope that my comments provided some insight into the approach that was taken. The meeting on December 15th should be an interesting one. I hope you can make it.

Should either of you have any further questions or concerns please let me know.

Best regards,

Phil Diebel

cc: Dr. Don Brown
Dr. Jesse Rogers
Dr. John Rudley
Dr. Sheldon Ekland-Olson
Ms. Marsha Kelman

UNIVERSITY OF HOUSTON SYSTEM
UNIVERSITY OF HOUSTON

DR. JOHN M. RUDLEY
Vice Chancellor, Administration and Finance
UH System
Vice President, Administration and Finance
University of Houston

October 30, 2003

Mr. Phillip C. Diebel, Chair
THECB, Instruction & Operation Formula Study Committee
Vice Chancellor for Finance
University of North Texas System
P.O. Box 310500
Denton, TX 76203-0500

Dear Mr. Diebel:

I am writing in regard to the formula funding cost study. After reviewing the proposed methodology, I have some questions and concerns that I would like to offer for your consideration.

First, I want to reiterate concerns the University of Houston System has expressed in the past regarding the allocation of departmental operating expense (DOE). As you know, these expenditures cannot be directly linked to specific courses and semester credit hours generated among academic levels, and while distribution according to faculty salaries rather than unweighted SCH is preferable for institutions such as the University of Houston, it still represents a proxy with which we're not entirely comfortable. Second, we're concerned that the proposed methodology has a negative bias (albeit unintended) toward urban universities, several of which lose funding under every scenario, including the University of Houston, UT-Arlington, Texas Southern University, and Texas Woman's University. Our analysis of the cost study leads us to believe that this is because of the significant proposed formula reductions in the professional disciplines (i.e., master's business, teacher education, engineering, pharmacy, nursing), where our institutions have significant enrollments in service to the companies, hospitals and public schools in our respective metropolitan areas.

It is my understanding that your committee has agreed that the methodology of the cost study was sound except for the DOE calculation. The University of Houston System does not agree with this position, and we have additional questions about the cost study that perhaps you can answer.

Is a methodology that uses actual program expenditures the best way to create a matrix that is supposed to reflect true funding needs? Under this proposed methodology, isn't it possible that efficient programs would be penalized with lower formula funding while high-cost programs would be rewarded for their inefficiency? At the University of Houston, for example, in our MBA program we generate considerable semester credit hours, so that the cost per SCH is relatively low. On the other hand, in doctoral business, because we have few students in this program, it is very expensive on a per SCH basis. Assuming this rationale is applicable to the state as a whole (and we believe it's reasonable to assume that it is), the formula values for

master's business are reduced as those for doctoral business are increased. The MBA program is punished for being efficient. In fact, when appropriating DOE according to faculty salaries, the formula weight for master's business falls by 18%, while the weight for doctoral business increases by 94%. Yet this does not reflect the importance of master's programs relative to doctoral programs statewide. And we believe that no one in the state would be arguing for increased spending on doctoral programs in business relative to master's programs.

2. *Is it advisable to use a statewide average of program expenditures to set the formula for particular programs?* After all, programs within the state differ greatly in terms of size and scope. Wouldn't this methodology result in a level of funding that is excessive for some small, limited programs and yet inadequate for more comprehensive programs? There may be very legitimate reasons for programs to be more expensive than the statewide average, and yet the formula under this methodology would encourage the opposite. For example, UT-Austin has one of the largest and most comprehensive engineering programs in the state, in which they invest heavily on a per SCH basis and for which they have a national reputation for excellence. And yet by treating all engineering programs as if they were the same – and funding them according to the statewide average expenditures – the formula provides no incentive for UT-Austin to pursue the same or higher level of excellence. For every dollar invested in engineering above the statewide average, UT-Austin must find the resources elsewhere. Certainly such an outcome is not in the best interest of Texas. I know the current formula has the same problem, but if our aim is to create a valid new formula matrix, repeating the mistakes of the current matrix will not enable us to achieve our goals.

3. *How does the proposed methodology account for incomplete data, such as the lack of salary data relating to nursing at Texas Woman's University or the lack of research dollars at engineering programs at Texas A&M University?* Texas Woman's University, Texas A&M University, and possibly other universities, receive funding that has not been included in the cost study. The amounts are not inconsequential and have the potential to impact the formulas in significant ways.

4. *What is the reason for using an all-funds approach to establishing a formula matrix that only distributes state-appropriated dollars?* There are two problems with using an all-funds approach: (1) All institutions in the state do not have access to the same types of funds beyond state appropriations, thereby creating an "apples and oranges" situation when trying to validate the matrix. (2) There is no external validation of the matrix using an internal, all-funds approach. In our opinion, if we want our institutions to be competitive nationally, we ought to look at our matrix relative to what is happening in other states (as Texas used to do when it compared its faculty salary appropriations to those in the ten most populous states).

5. *Why should we not be concerned with the results produced by this methodology?* Our understanding is that some members of the committee believe that as long as the methodology is correct we should not be concerned with the formula outcomes on a program-by-program basis. With this we disagree. Under certain models in the cost study, programs that are of high priority for the state and of critical importance to our economic future would see their formulas reduced. **Regardless of how DOE is allocated, the trends for engineering, business, teacher education and nursing are generally downward. For example, when DOE is allocated according to faculty salaries, the formula weights for lower division and master's engineering are reduced by 45% and 17% respectively.** ***On the other hand, funding for agriculture increases across all levels***. While agriculture is certainly important to this state, few would doubt that our future economic prosperity depends greatly on engineering and related scientific and technological industries, which is not reflected under the proposed formula weights. We believe

that the results of the matrix must provide outcomes that are aligned with the priorities of the state and maintain incentives for the continued development of high priority programs.

6. *Do we have sufficient confidence in the quality of the reported data to justify confidence in the results of the cost study?* From my own experience as a financial officer, I understand the complexity of reporting large data sets such as this, as well as the discretion left to individual institutions as to how certain expenditures should be categorized as part of the reporting process. I also understand that there were instances in this study where the results were counter-intuitive and necessitated a resubmission of data. This concerns us greatly. If we can't be certain of the quality of the data submitted, then we should not recommend a formula matrix based on it.

Phil, the UH System cannot support the recommendation of a new matrix produced by this cost study. As I said to the DOE subcommittee this past Wednesday, the cost study is a good management tool but it should not be used to construct a funding formula. Our proposal is that the Formula Advisory Committee submit the cost study to the Coordinating Board as a first phase of a formula funding study. This should be followed by a period of time when we can refine the reported data and raise our confidence in its quality. **On Wednesday we saw that a number of institutions had not submitted their research expenditures in their DOE calculations. We need all institutions reporting in a consistent manner before we proceed any further.** At that point we should have time to study the data and discuss the policy questions that it poses for higher education in the State of Texas. Already the committee's discussions have pointed to the fact that the cost data suggests that there may need to be more than one formula funding matrix to deal with the different missions of the state's public universities. After improving the quality of the data and discussing the policy issues that arise out of our analysis, the committee would be in a much better position to make recommendations to the Coordinating Board.

Finally, we agree completely with President Stewart of Texas Women's University that "hold harmless" is not an acceptable way to address the loss of funding resulting from the new formula matrix. As she stated to the DOE subcommittee last Wednesday, equity requires that we avoid punishing universities by placing them in a position of "hold harmless" at a time when they have been fulfilling the mission of their university to growing numbers of students.

I know this has been a challenging process and we at the UH System appreciate your consideration of the questions we have posed. I would welcome the opportunity to discuss these issues with you further.

Sincerely,

John M Rudley
Vice Chancellor/Vice President for Administration & Finance

cc: G. Jay Gogue, Chancellor/President, UH System/University of Houston
Don W. Brown, Commissioner of Higher Education
Dr. Jesse Rogers, Chair, THECB Formula Advisory Committee
Instruction & Operation Formula Study Committee

OFFICE OF THE VICE PRESIDENT AND CHIEF FINANCIAL OFFICER
THE UNIVERSITY OF TEXAS AT AUSTIN

P.O. Box 8179 • Austin, Texas 78713-8179 • (512) 471-1422 • FAX (512) 471-7742

Idone 11-25-03 JH

XC: Debbie G
Terri F
Marshall

TEXAS HIGHER EDUCATION COORDINATING BOARD
NOV 25 2003
DIVISION OF FINANCE, CAMPUS PLANNING AND RESEARCH

TEXAS HIGH EDUCATION COORDINATING BOARD
Commissioner To _____
NOV 24 2003
Prepare My Reply · For Info ___
Recommend Action ___ File ___
Please Handle ___ Your Reply
Inform Me Promptly ___ Routinely

November 19, 2003

Mr. Phillip C. Diebel, Chair
THECB, Instruction and Operation Formula Study Committee
Vice President for Finance and Business Affairs
The University of North Texas
P.O. Box 310500
Denton, Texas 76203-0500

Dear Phil:

I am writing to express my concern regarding the formula funding cost study presently underway by the ad-hoc committee to The Higher Education Coordinating Board (THECB). For sake of brevity, let me say that I am in agreement with the majority of those concerns expressed by Vice Chancellor John M. Rudley, University of Houston System, in his October 30 letter to you. The observations and concerns noted by John are real and in many cases not easily overcome, thereby significantly limiting the value of the results of the study, specifically for use in formula funding. My concern is that the notation of these severe limitations will be lost in the details of the report presented to THECB, and that the results of this study might become a basis on which new formula allocations might be made.

I will not elaborate on each of the observations and concerns in John's letter. However, I believe that it is fair to say that the ad-hoc committee is discovering the many variances and inconsistencies in financial reporting practices of the institutions of higher education across Texas. If such inconsistencies are not corrected, they will dramatically influence the cost study results. It may not be possible to correct some of the major inconsistencies that have been identified. For example, reporting of research costs will be impossible to accurately correct. The University of Texas System institutions have always reported 100% of their research activities as part of their Annual Financial Report (AFR). However, other Texas agricultural research institutions account for their research costs through private foundations and do not include such research costs in their consolidated AFR. Hence, as John notes, one reason for the preliminary cost study results favoring agricultural research institutions over urban research institutions.

Phil, the ad-hoc committees' results will be interesting and thought provoking from a financial reporting comparability perspective. However, the proposed methodology will not be conclusive or defensible such that it should be relied on for purposes of formula funding. My concern is that some will not understand the severe limitations of the data being gathered and may believe that it is a better basis for allocating than is used today.

I encourage the ad-hoc committee to complete their work, and I strongly recommend that the committee reports the data as significantly incomplete and not comparable across institutions. Therefore, I recommend the data not be used for formula funding allocation purposes.

Sincerely,

Kevin P. Hegarty
Vice President and Chief Financial Officer

KPH:ecc

c: Dr. Don W. Brown, Commissioner, THECB
Dr. Jesse Rogers, Chair, THECB Formula Advisory Committee
Dr. John M. Rudley, University of Houston System
Dr. Sheldon Ekland-Olson, UT Austin
Ms. Marsha Kelman, UT Austin

Dr. Jessie Rogers
President
Midwestern State University
Wichita Falls, TX

Dear Jessie,

We are meeting Monday, December 15, 2003 to review data Phil Diebel and his colleagues (I among them) on the Instruction and Operations (I&O) Study Committee have been gathering and mulling over. It has been a very interesting exercise, to say the least.

I want to take this opportunity to thank Phil for his leadership. With great skill, he has guided the process around many a pothole and through fields laced with mines. A good deal of progress has been made. Several important questions remain. I will raise these questions at our gathering on the 15th, but wanted to give you and committee members receiving a copy of this letter a sense of where we stand from my vantage point. In my opinion, with questions clearly identified and a little luck, we can more readily lay out the necessary next steps.

The long-established utility of formula funding is that it minimizes the chances of biennial battles over the allocation of funds across institutions of higher education. The formula matrix now in place has been defined by estimates of what is required to adequately fund higher education. A mixture of sources including national average expenditures has defined adequacy. These averages have been mixed with state priorities related to how specific educational programs (e.g., nursing, engineering, education, etc.) should be encouraged. Both policy driven priorities and estimates of adequate funding are important. The I&O Committee, by contrast, has concentrated on something long sought after, but elusive to establish – cost estimates to determine relative weights for the formula matrix based on actual expenditures.

It has not been easy. Data are collected in different ways at various institutions. Some institutions have elaborate institutional research operations; others have a single person, working on these matters part time. Data elements are variously defined. Some important funding does not flow through the formula matrix, introducing distortions in various estimates when it comes to expenditures. Finally, relative weights across various disciplines may vary among institutions with widely divergent missions. Taking a statewide average of these relative weights introduces a regression toward the mean and thereby in various ways advantages or disadvantages institutions, both large and small.

We have made progress on these issues, but we have not yet arrived at a clean set of defendable cost estimates. When we gather on the 15th, I will argue in favor of taking the following next steps.

1. The submission of data across institutions is not consistent. Steps should be taken to achieve consistency among institutions before moving forward with estimates of costs. The Coordinating Board might consider training sessions for institutional representatives on how to gather and report data appropriately. Any valid and reliable methodology demands that this be done.
2. Currently there are substantial data questions linked with several disciplines (e.g., nursing, pharmacy, engineering, and agriculture.) In addition, the differential use of the health-related formula complicates the picture. I will not detail these problems here, but would be happy to provide additional information as needed. These problems need to be addressed before finalizing the I&O Committee recommendations.
3. It is not readily apparent how to handle the issue of statewide averaging. Clearly, this practice eliminates from the formula funding weighting scheme very legitimate differences in institutional missions and priorities. This problem has not been adequately addressed. More discussion is needed.
4. Differential practices exist across institutions when it comes to reporting research costs. This problem has not been remedied. Since some units are funded separately, their costs are excluded from the analysis. To establish reliable and valid cost estimates, this needs to be remedied. It will not be easy, but it is essential if we are to capture a full and accurate cost picture.
5. The current data have been collected from a single year (2001-02.) These data come from a time just prior to very serious budget adjustments. To estimate a more settled picture of academic program costs, a better strategy would be to analyze multiple years of relative costs. Assuming the above-mentioned problems with data quality, reporting practices, and statewide averaging can be remedied; this multi-year collection strategy would provide far more accurate estimates of current program costs.

Well, there you have them; my ruminations related to important remaining concerns. What has become crystal clear as the I&O Committee has moved forward is that the search for equitable, cost-based, appropriately weighted funding schemes, legitimately informed by important policy issues is not a task for the faint of heart. I look forward to working with you and Phil as we resolve the remaining issues. See you on the 15th.

All best wishes,

Sheldon Ekland-Olson
Executive Vice President and Provost
University of Texas at Austin

Report on the Cost Study for the University Funding Formula
Texas Higher Education Coordinating Board

Background:

Beginning in the summer of 2002, an *ad hoc* Formula Matrix Cost Study Committee comprised of University Formula Advisory Committee (UFAC) members and financial and institutional representatives from selected institutions[1] was formed to develop a methodology for calculating the relative weights that comprise the Instruction and Operations (I&O) formula. Over the following year, the committee developed a methodology intended to allocate to academic discipline and instructional level all of the costs funded by the I&O formula. The committee and the CB staff designed various data collection tools and the individual institutions were instructed to provide necessary data. By summer's end in 2003, the CB staff had collected and processed the data according to the committee's proposed methodology, and a variety of scenarios were produced.

Methodology Overview:

The basic I&O formula[2] is comprised of a 5 by 19 matrix, a rate, and the number of semester credit hours per element of the matrix (see attachment). The elements of the matrix represent the five levels of instruction and the nineteen disciplines. Formula reimbursement is calculated by multiplying the appropriate relative weights of the matrix times the rate times the number of semester credit hours incurred in a particular level and discipline. Mathematically, a relative weight is the ratio of cost, per level and discipline, to the number of semester credit hours, per level and discipline (i.e., $/SCH).

The current relative weights were determined during the 76th legislative session (1999), though no data exist to support the weights. The weights, combined with an increase in funding for the general academic institutions, assured that individual institutions would not receive less formula funding under the revised matrix than they received under the previous methodology.

A previous effort in 1999 was designed to evaluate the I&O relative weights, but only captured and allocated faculty salary costs to the various levels and disciplines. The 2003 *ad hoc* committee emphasized the need for the proposed methodology to include all costs associated with formula funded coursework and recognized that workloads are allocated differently at each public university. The following elements of institutional cost were included:

- Faculty Salaries (including Teaching Assistants)
- Academic Support
- Institutional Support
- Student Services
- Departmental Operating Expense (including Research Enhancements)

Faculty Salaries were allocated using Teaching Load Credits (TLC) that each institution has assigned on an individual, faculty member basis. This was a significant departure from the 1999 effort in which the same TLC was imposed on all institutions. Thus, the current proposed methodology recognizes that for some schools, three

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[1] Phil Diebel (Chair), UNT; Marsha Kelman, UT-Austin; Bill Nance, TSU-SM; Jim Langabeer, UT-Pan Am; Mike Fergason, Lamar; Tom Taylor, TAMU; Sandra Harper, TAMU-CC.

[2] This does not consider the infrastructure formula, the small school supplement, or the tenured/tenured-track faculty supplement.

classes per semester represent a full teaching load, while at others the TLC may be less. The latter case, most believe, would tend to exist at the larger, more research oriented universities.

Academic Support was allocated to the appropriate level and discipline using the distribution of faculty salaries, including teaching assistants (TAs). Institutional Support and Student Services were allocated to the appropriate academic discipline using the institution's fall 2001 headcount distribution and then allocated to the level of instruction using the distribution of semester credit hours.

The method of allocating Department Operating Expenses (DOE) is the issue that received the most discussion. Ultimately, the individual institutions selected the manner in which DOE was to be allocated, using semester credit hours, faculty salaries (including teaching assistants), or some combination of the two.

Alternative Scenarios:

Because the UFAC has committed to phasing in the cost-based I&O matrix so that no individual institution is overly penalized, two alternative scenarios have been developed for illustration purposes, which are discussed below.

The scenarios contained in the workbook "Summary_DOE Select_Transition" provide the following results:

The base case scenario in which the redistribution of ~$1.5 billion in formula funding occurs as a result of the re-calculated relative weights with no phase-in

2. The "3% solution" shows the results of adjusting three relative weights (Upper-division, undergraduate level Nursing; master's level Heath Services, and; Special Professional Pharmacy). This is a budget neutral adjustment.
3. The "New Formula Funding" shows the results of limited Texas Women's University to a 3% loss, but the adjustment is made with additional formula funding.

Results:

The base-case solution re-distributes formula funding in a budget neutral fashion so that total formula funding does not change. The base case represents a significant reduction to Texas Southern University (-12.9%) and Texas Women's' University (-16.7%). Funding is also reduced for the University of Texas and the University of Houston systems, but formula funding increases for the other systems. If hold harmless money were available for all schools that lost formula funding, an additional ~$24 million would be required.

In the "3% Solution" alternative, the following adjustments were made:

1. Fifty percent of the change in the relative weights is implemented.
2. The weights for upper-division, undergraduate level Nursing; master's level Heath Services, and; Special Professional Pharmacy were adjusted until the losses to TSU and TWU reached -3%. To accomplish this Nursing and Health Services were adjusted by 18% of the calculated amount, and Pharmacy by 29%.

Because the 3% solution is calculated to be budget neutral, the formula funded amounts are re-distributed within the 34 universities. Also, because the adjustments

were made to the relative weights, all of the institutions offering courses at the changed level and discipline were affected.

The second alternative, "New Formula Funding", shows the additional costs if the rate ($56.65 in FY 2002-03) were adjusted so that losses to TWU were limited to -3%. Because raising the rate increases the payment level to all schools for all disciplines and levels, this is not a budget neutral adjustment. This alternative results in ~$248 million in additional formula funding, or a 17% increase. This is slightly less than the all funds amount dedicated to special items in FY 2004 (~$257 million) or FY 2005 (~$254 million).

The I&O Study Committee will discuss these analyses and recommendations to at the UFAC meeting on December 15, 2003. A final recommendation to the Commissioner will be made by February 1, 2004, and the Coordinating Board will take action on the Commissioner's recommendations and the UFAC report at its April 2004 meeting.

Appendix

Funding Formulas Used for the 2002-2003 Biennium

The funding formulas adopted by the Legislature for the 2002-2003 biennium are found in the General Appropriations Act, Article III, page III-238, and they are reproduced here for reference.

Section 32. General Academic Funding. Funding for general academic institutions will consist of four formulas and supplemental items.

1. **Instruction and Operations Formula**. The Instruction and Operations Formula shall provide funding for faculty salaries including nursing, departmental operating expense, library, instructional administration, research enhancement, student services, and institutional support. These funds are distributed on a weighted semester credit hour basis. The rate per weighted semester credit hour for the 2002-03 biennium is $56.65.

   Weighting is determined by the following matrix:

	Lower Division	Upper Division	Masters	Doctoral	Special Professional
Liberal Arts	1.00	1.96	3.94	12.04	
Science	1.53	3.00	7.17	19.29	
Fine Arts	1.85	3.11	6.51	17.47	
Teacher Education	1.28	1.96	3.23	9.95	
Agriculture	2.05	2.54	6.64	16.37	
Engineering	3.01	3.46	8.20	21.40	
Home Economics	1.58	2.12	4.34	10.79	
Law					3.22
Social Services	1.64	1.84	5.80	11.92	
Library Science	1.45	1.52	4.22	12.26	
Vocational Training	1.45	2.59			
Physical Training	1.36	1.36			
Health Services	2.87	3.46	6.47	15.98	
Pharmacy	4.00	4.64	9.00	19.11	9.00
Business Admin.	1.41	1.59	4.59	13.91	
Optometry			5.46	19.12	7.00
Teacher Ed. Practice	2.43	2.57			
Technology	1.99	2.56	6.61		
Nursing	4.91	5.32	6.49	16.32	

Base Case - DOE Select
No Transition

	FF Amount Current Matrix Rate @ $56.65	$63.06 FF Amount All Cost Matrix Budget Neutral Rate	Difference	%age Chng		
UT Arlington	79,268,052	76,281,965	-2,986,086	-3.8%		
UT Austin	226,622,052	222,818,757	-3,803,295	-1.7%		
UT Dallas	56,587,086	55,297,204	-1,289,881	-2.3%		
UT El Paso	46,284,492	46,530,975	246,483	0.5%		
UT Pan American	38,072,465	37,764,931	-307,533	-0.8%		
UT Brownsville	7,940,006	8,324,858	384,852	4.8%		
UT Permian Basin	6,476,450	6,843,396	366,946	5.7%		
UT San Antonio	52,183,460	54,054,858	1,871,398	3.6%		
UT Tyler	12,856,844	12,138,768	-718,076	-5.6%		
Texas A&M U	188,020,008	197,106,482	9,086,474	4.8%	-6,235,193	UT System Impact
TAMU Galveston	3,785,494	4,225,447	439,953	11.6%	11,828,575	TAMU System Impact
Prairie View A&M U	22,617,361	22,505,779	-111,581	-0.5%		
Tarleton State U	23,223,998	24,583,635	1,359,637	5.9%		
TAMU Commerce	27,347,433	27,027,287	-320,147	-1.2%		
TAMU Corpus Christi	22,109,199	22,764,647	655,447	3.0%		
TAMU Kingsville	20,411,257	20,652,000	240,742	1.2%		
Texas A&M International	9,050,406	9,166,174	115,769	1.3%		
TAMU Texarkana	3,484,012	3,590,700	106,688	3.1%		
WTAMU	19,313,878	19,569,471	255,593	1.3%		
U of Houston	121,583,132	118,478,921	-3,104,211	-2.6%	2,347,844	U of Houston System Impact
UH Clear Lake	25,933,942	25,994,128	60,186	0.2%		
UH Downtown	19,023,615	19,879,715	856,100	4.5%		
UH Victoria	6,287,112	6,127,194	-159,918	-2.5%		
Midwestern State U	15,266,691	15,542,586	275,894	1.8%		
U of North Texas	93,434,803	94,493,924	1,059,120	1.1%	059,120	North Texas System Impact
Stephen F Austin State U	33,211,844	34,223,774	1,011,930	3.0%		
Texas Southern U	29,459,332	25,667,558	-3,791,774	-12.9%		
Texas Tech U	95,818,285	98,176,678	2,358,393	2.5%	2,358,393	Texas Tech System Impact
Texas Woman's U	37,074,812	30,867,137	-6,207,675	-16.7%		
Angelo State U	17,149,944	17,656,468	506,524	3.0%	2,048,574	Texas State System Impact
Lamar U	26,143,020	25,014,427	-1,128,593	-4.3%		
Sam Houston State U	36,701,653	37,747,882	1,046,229	2.9%		
Southwest Texas State U	66,884,716	68,072,853	1,188,136	1.8%		
Sul Ross State U	7,983,959	8,420,237	436,278	5.5%		
Totals	1,497,610,814	1,497,610,814	0			
					-23,868,587	Sum of All Reductions (Cost of Hold Harmless)

DOE Select
One-Half the Difference
Except Nursing (Undergraduate Upper-Division), Health (Master's), & Pharmacy (Special Professional)
Used to Adjust TWU and TSU to 3% Loss

	FF Amount Current Matrix Rate @ $56.65	$59.27 FF Amount All Cost Matrix Budget Neutral Rate	Difference	%age Chng		
UT Arlington	79,268,052	78,127,633	-1,140,419	-1.4%		
UT Austin	226,622,052	224,031,067	-2,590,985	-1.1%		
UT Dallas	56,587,086	55,945,372	-641,713	-1.1%		
UT El Paso	46,284,492	46,610,472	325,980	0.7%		
UT Pan American	38,072,465	37,938,287	-134,178	-0.4%		
UT Brownsville	7,940,006	8,087,750	147,744	1.9%		
UT Permian Basin	6,476,450	6,608,750	132,300	2.0%		
UT San Antonio	52,183,460	52,739,354	555,894	1.1%		
UT Tyler	12,856,844	12,862,283	5,438	0.0%		
Texas A&M U	188,020,008	191,179,761	3,159,753	1.7%	-3,339,939	UT System Impact
TAMU Galveston	3,785,494	3,968,208	182,714	4.8%	4,310,701	TAMU System Impact
Prairie View A&M U	22,617,361	22,689,069	71,709	0.3%		
Tarleton State U	23,223,998	23,778,667	554,669	2.4%		
TAMU Commerce	27,347,433	27,033,218	-314,216	-1.1%		
TAMU Corpus Christi	22,109,199	22,452,766	343,566	1.6%		
TAMU Kingsville	20,411,257	20,435,717	24,460	0.1%		
Texas A&M International	9,050,406	9,138,805	88,399	1.0%		
TAMU Texarkana	3,484,012	3,525,201	41,190	1.2%		
WTAMU	19,313,878	19,472,335	158,457	0.8%		
U of Houston	121,583,132	120,329,341	-1,253,790	-1.0%	-1,138,779	U of Houston System Impact
UH Clear Lake	25,933,942	25,880,197	-53,746	-0.2%		
UH Downtown	19,023,615	19,304,961	281,346	1.5%		
UH Victoria	6,287,112	6,174,524	-112,588	-1.8%		
Midwestern State U	15,266,691	15,460,016	193,325	1.3%		
U of North Texas	93,434,803	93,568,566	133,762	0.1%	133,762	North Texas System Impact
Stephen F Austin State U	33,211,844	33,643,156	431,313	1.3%		
Texas Southern U	29,459,332	28,574,129	-885,203	-3.0%		
Texas Tech U	95,818,285	96,395,870	577,585	0.6%	577,585	Texas Tech System Impact
Texas Woman's U	37,074,812	35,969,336	-1,105,476	-3.0%		
Angelo State U	17,149,944	17,381,383	231,439	1.3%	822,710	Texas State System Impact
Lamar U	26,143,020	25,880,693	-262,327	-1.0%		
Sam Houston State U	36,701,653	36,970,760	269,107	0.7%		
Southwest Texas State U	66,884,716	67,313,832	429,116	0.6%		
Sul Ross State U	7,983,959	8,139,335	155,376	1.9%		
Totals	1,497,610,814	1,497,610,814	0			
					-8,494,641	Sum of All Reductions (Cost of Hold Harmless)

New Formula Funding
DOE Select w/ TWU Limited to 3% Loss

	FF Amount Current Matrix Rate @ $56.65	$73.50 FF Amount All Cost Matrix Not Budget Neutral	Difference	%age Chng	
UT Arlington	79,268,052	88,904,004	9,635,952	12.2%	
UT Austin	226,622,052	259,687,588	33,065,537	14.6%	
UT Dallas	56,587,086	64,446,988	7,859,902	13.9%	
UT El Paso	46,284,492	54,230,249	7,945,757	17.2%	
UT Pan American	38,072,465	44,013,727	5,941,262	15.6%	
UT Brownsville	7,940,006	9,702,336	1,762,330	22.2%	
UT Permian Basin	6,476,450	7,975,743	1,499,293	23.1%	
UT San Antonio	52,183,460	62,999,076	10,815,616	20.7%	
UT Tyler	12,856,844	14,147,316	1,290,472	10.0%	
Texas A&M U	188,020,008	229,720,818	41,700,810	22.2%	79,816,120 UT System Impact
TAMU Galveston	3,785,494	4,924,613	1,139,119	30.1%	69,938,695 TAMU System Impact
Prairie View A&M U	22,617,361	26,229,711	3,612,350	16.0%	
Tarleton State U	23,223,998	28,651,380	5,427,382	23.4%	
TAMU Commerce	27,347,433	31,499,372	4,151,939	15.2%	
TAMU Corpus Christi	22,109,199	26,531,412	4,422,212	20.0%	
TAMU Kingsville	20,411,257	24,069,194	3,657,937	17.9%	
Texas A&M International	9,050,406	10,682,860	1,632,455	18.0%	
TAMU Texarkana	3,484,012	4,184,837	700,825	20.1%	
WTAMU	19,313,878	22,807,545	3,493,667	18.1%	
U of Houston	121,583,132	138,083,102	16,499,970	13.6%	25,860,719 U of Houston System Impact
UH Clear Lake	25,933,942	30,295,261	4,361,319	16.8%	
UH Downtown	19,023,615	23,169,124	4,145,509	21.8%	
UH Victoria	6,287,112	7,141,033	853,921	13.6%	
Midwestern State U	15,266,691	18,114,348	2,847,657	18.7%	
U of North Texas	93,434,803	110,129,414	16,694,611	17.9%	16,694,611 North Texas System Impact
Stephen F Austin State U	33,211,844	39,886,630	6,674,786	20.1%	
Texas Southern U	29,459,332	29,914,655	455,323	1.5%	
Texas Tech U	95,818,285	114,421,538	18,603,252	19.4%	18,603,252 Texas Tech System Impact
Texas Woman's U	37,074,812	35,974,586	-1,100,227	-3.0%	
Angelo State U	17,149,944	20,578,005	3,428,061	20.0%	28,012,084 Texas State System Impact
Lamar U	26,143,020	29,153,453	3,010,433	11.5%	
Sam Houston State U	36,701,653	43,993,857	7,292,204	19.9%	
Southwest Texas State U	66,884,716	79,336,566	12,451,850	18.6%	
Sul Ross State U	7,983,959	9,813,496	1,829,537	22.9%	
Totals	1,497,610,814	1,745,413,835	247,803,022		
			17%		247,803,022 Amount of New Formula Funding Required